

Communities Unlimited, Inc.

Fayetteville, Arkansas

Financial Statements

Years Ended September 30, 2024 and 2023

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Communities Unlimited, Inc.

Financial Statements

Years Ended September 30, 2024 and 2023

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statement of Functional Expenses - 2024	6
Statement of Functional Expenses - 2023	7
Statements of Cash Flows	8
Notes to Financial Statements	9

Independent Auditor's Report

Board of Directors
Communities Unlimited, Inc.
Fayetteville, Arkansas

Report on the Audit of the Financial Statements***Opinion***

We have audited the accompanying financial statements of Communities Unlimited, Inc., a nonprofit organization, which comprise the statements of financial position as of September 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Communities Unlimited, Inc. as of September 30, 2024 and 2023, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Communities Unlimited, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities Unlimited, Inc.’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Communities Unlimited, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Communities Unlimited, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on pages 32 to 64, which include the schedule of expenditures of federal awards on pages 60 to 62 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 25, 2025, on our consideration of Communities Unlimited, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Communities Unlimited, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Communities Unlimited, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

February 25, 2025

Communities Unlimited, Inc.

Statements of Financial Position

September 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 19,579,989	\$ 19,030,391
Short-term investments	130,000	760,000
Accounts receivable	2,362,776	2,027,651
Notes receivable	4,862,676	2,130,144
Prepaid expenses	29,881	96,817
Total current assets	<u>26,965,322</u>	<u>24,045,003</u>
Long-term assets:		
Notes receivable, net of current portion	13,380,376	13,271,679
Allowance for credit losses	<u>(1,248,571)</u>	<u>(1,315,587)</u>
Notes receivable, net	12,131,805	11,956,092
Total long-term assets	<u>12,131,805</u>	<u>11,956,092</u>
Property and equipment:		
Building and land	1,816,347	1,816,347
Furniture and equipment	133,526	133,526
Less accumulated depreciation	<u>(1,027,536)</u>	<u>(957,967)</u>
Total property and equipment	<u>922,337</u>	<u>991,906</u>
TOTAL ASSETS	<u>\$ 40,019,464</u>	<u>\$ 36,993,001</u>
Liabilities and Net Assets		
Current liabilities:		
Current maturities of notes payable	\$ 675,049	\$ 498,460
Accounts payable	270,450	265,813
Accrued expenses	213,918	173,556
Refundable advances	<u>3,862,310</u>	<u>3,175,027</u>
Total current liabilities	<u>5,021,727</u>	<u>4,112,856</u>
Long-term debt:		
Notes payable, net of current portion	<u>13,480,697</u>	<u>12,330,644</u>
Total liabilities	<u>18,502,424</u>	<u>16,443,500</u>
Net assets:		
Without donor restrictions:		
Undesignated	20,594,703	19,557,595
Board designated:		
Investment in property and equipment	<u>922,337</u>	<u>991,906</u>
Total net assets	<u>21,517,040</u>	<u>20,549,501</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 40,019,464</u>	<u>\$ 36,993,001</u>

See accompanying notes to financial statements.

Communities Unlimited, Inc.
Statements of Activities
Years Ended September 30, 2024 and 2023

Revenues	2024	2023
Grant funds - operating	\$ 11,639,024	\$ 11,389,173
Grant funds - loan fund equity	1,525,401	2,321,297
Program income	1,679,634	1,465,238
Interest income	498,913	263,349
Donations	19,606	21,108
Miscellaneous income	72,108	25,235
 Total revenues	 15,434,686	 15,485,400
Expenses		
Program Expenses		
Loan Fund	1,672,723	1,606,186
Community Infrastructure Services	6,044,995	5,321,328
Entrepreneurship	1,565,179	1,453,655
Communities	2,168,628	1,201,785
Housing	440,341	144,375
Special Projects	-	287,196
Corporate Division	410,764	419,487
 Total program expenses	 12,302,630	 10,434,012
Management and general expenses	2,423,922	1,878,463
 Total expenses	 14,726,552	 12,312,475
Change in Net Assets	708,134	3,172,925
Net Assets Without Donor Restrictions - Beginning of year	20,549,501	17,376,576
Cumulative Change in Accounting Principle (Note 1)	259,405	-
Net Assets Without Donor Restrictions - Beginning of year (as adjusted for change in accounting principle)	20,808,906	17,376,576
Net Assets Without Donor Restrictions - End of year	\$ 21,517,040	\$ 20,549,501

See accompanying notes to financial statements.

Communities Unlimited, Inc.

Statement of Functional Expenses

Year Ended September 30, 2024

	Loan Fund	Community Infrastructure Services	Entrepreneurship	Communities
Expenses				
Salaries and fringe benefits	\$ 848,548	\$ 4,664,514	\$ 1,270,772	\$ 1,357,747
Property taxes and licenses	748	875	51	-
Travel	54,775	489,327	45,720	170,070
Training and professional meetings	31,506	154,490	53,995	46,203
Professional and other services	80,301	62,644	12,892	11,184
Insurance	18,892	21,059	13,021	407
Supplies	168,201	103,033	40,942	65,243
Printing and publications	7,204	35,311	36,487	12,874
Communications	12,510	75,354	15,334	21,038
Office space	6,792	34,488	15,656	19,101
Equipment maintenance and rental	1,113	114	-	-
Interest and loan fees	147,725	285,613	-	-
Bad debts	279,805	6,975	16,500	2,950
Subcontractors	-	78,386	1,654	34,000
Subrecipients	13,455	-	32,000	402,617
Miscellaneous	1,148	32,812	10,155	25,194
Depreciation expense	-	-	-	-
Total expenses	\$ 1,672,723	\$ 6,044,995	\$ 1,565,179	\$ 2,168,628

See accompanying notes to financial statements.

Housing	Corporate Division	Total Program Activities	Management and General	Total
\$ 239,406	\$ 223,104	\$ 8,604,091	\$ 1,345,586	\$ 9,949,677
7,151	3,013	11,838	390	12,228
18,505	30,103	808,500	58,509	867,009
11,225	53,640	351,059	176,085	527,144
21,979	26,274	215,274	420,246	635,520
14,081	13,032	80,492	36,501	116,993
10,106	3,200	390,725	164,527	555,252
2,377	2,447	96,700	74,544	171,244
2,577	2,100	128,913	23,898	152,811
14,217	9,338	99,592	117,837	217,429
52,401	-	53,628	16	53,644
-	199	433,537	212	433,749
-	12,500	318,730	-	318,730
8,340	-	122,380	-	122,380
-	-	448,072	-	448,072
-	223	69,532	5,571	75,103
37,976	31,591	69,567	-	69,567
\$ 440,341	\$ 410,764	\$ 12,302,630	\$ 2,423,922	\$ 14,726,552

Communities Unlimited, Inc.

Statement of Functional Expenses

Year Ended September 30, 2023

	Loan Fund	Community Infrastructure Services	Entrepreneurship	Communities
Expenses				
Salaries and fringe benefits	\$ 878,595	\$ 4,041,007	\$ 1,057,086	\$ 893,809
Property taxes and licenses	413	4,889	373	53
Travel	39,875	362,162	39,233	119,690
Training and professional meetings	21,309	111,310	53,170	26,734
Professional and other services	46,647	70,725	50,646	16,251
Insurance	19,022	20,929	9,891	114
Supplies	71,514	239,138	54,020	89,266
Printing and publications	12,642	56,271	32,694	7,241
Communications	15,271	82,704	19,478	16,859
Office space	15,088	34,767	18,408	25,192
Equipment maintenance and rental	1,394	-	-	-
Interest and loan fees	127,793	250,203	-	-
Bad debts	341,950	-	-	-
Subcontractors	-	46,614	1,208	1,220
Subrecipients	13,230	-	107,000	-
Miscellaneous	1,443	609	10,448	5,356
Depreciation expense	-	-	-	-
Total expenses	\$ 1,606,186	\$ 5,321,328	\$ 1,453,655	\$ 1,201,785

See accompanying notes to financial statements.

Housing	Special Projects	Corporate Division	Total Program Activities	Management and General	Total
\$ 116,353	\$ 104,072	\$ 211,655	\$ 7,302,577	\$ 1,127,141	\$ 8,429,718
373	8,640	2,785	17,526	369	17,895
12,036	1,876	23,761	598,633	30,004	628,637
3,421	-	8,186	224,130	50,884	275,014
2,475	67,594	40,690	295,028	388,169	683,197
803	11,187	15,619	77,565	30,185	107,750
5,822	23,725	9,839	493,324	130,628	623,952
1,586	1,090	412	111,936	56,929	168,865
1,310	1,689	3,143	140,454	20,900	161,354
-	8,618	(4,178)	97,895	35,950	133,845
-	12,389	-	13,783	-	13,783
-	-	-	377,996	-	377,996
-	-	-	341,950	-	341,950
-	8,340	74,333	131,715	-	131,715
-	-	(2,642)	117,588	-	117,588
196	-	3,791	21,843	7,304	29,147
-	37,976	32,093	70,069	-	70,069
\$ 144,375	\$ 287,196	\$ 419,487	\$ 10,434,012	\$ 1,878,463	\$ 12,312,475

Communities Unlimited, Inc.
Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 708,134	\$ 3,172,925
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,567	70,069
Provision for credit losses	318,730	341,950
Effects of changes in operating assets and liabilities:		
Accounts receivable	(374,047)	(602,396)
Prepaid expenses	66,936	(65,224)
Accounts payable and accrued expenses	44,998	68,785
Refundable advances	687,283	71,912
Net cash from operating activities	<u>1,521,601</u>	<u>3,058,021</u>
Cash flows from investing activities:		
Originations of loans	(7,034,453)	(6,423,328)
Repayments of loans	4,105,808	3,281,164
Purchase of investments	(130,000)	(669,283)
Sale of investments	760,000	-
Net cash from investing activities	<u>(2,298,645)</u>	<u>(3,811,447)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(498,358)	(564,424)
Proceeds from issuance of long-term debt	1,825,000	7,400,000
Net cash from financing activities	<u>1,326,642</u>	<u>6,835,576</u>
Changes in cash and cash equivalents	549,598	6,082,150
Cash and cash equivalents - Beginning of year	<u>19,030,391</u>	<u>12,948,241</u>
Cash and cash equivalents - End of year	<u>\$ 19,579,989</u>	<u>\$ 19,030,391</u>
Supplemental schedule of operating activities:		
Interest paid	\$ 119,948	\$ 86,107

See accompanying notes to financial statements.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies

Nature of Operations

Communities Unlimited, Inc. (CU) connects rural people and communities to solutions.

CU works with people, combining their ingenuity with technology, expertise and capital to ensure healthy water, healthy food, healthy businesses, healthy communities and healthy lives.

CU's Promise

To partner with people working for a better life in their hometown and connect them to solutions for achieving sustainable prosperity.

CU's Purpose

Talent is distributed equally across the United States. Opportunity clearly is not. Access to opportunities should not depend on where you live or how much money you have in the bank. CU works to create greater agency and access to opportunities for individuals living in otherwise unserved rural places.

CU's Approach

CU takes a holistic approach to community development by combining human connection and ingenuity with technology, expertise and capital to solve problems. CU staff work to blend its services across program areas to meet communities where they are and sustain healthy businesses, healthy communities and healthy lives.

CU's Place

CU serves rural communities in Alabama, Arkansas, Louisiana, Mississippi, Oklahoma, Tennessee & Texas. This service area includes 45% of our nation's persistent poverty counties, where more than 20% of the population has lived in poverty for over 30 years. And, this area is home to rural innovators, small town entrepreneurs and people with a history of working hard from sunrise to sunset to provide for their families. Here people seek opportunities, capital and advanced skills to reach prosperity.

CU's Organization

CU is a 501(c)3 nonprofit corporation founded in 1975, with over 115 staff in seven states and over \$40 million in assets. CU was certified by the U.S. Department of Treasury as a Community Development Financial Institution (CDFI) in 2001. As a CDFI, CU expands economic opportunity for small business owners and communities by providing access to capital when traditional financing options are not available.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

CU's Organization (Continued)

Many of CU's staff live and work in the rural places it serves. CU builds relationships with national, state and regional resource providers and serves as an on-ramp to allow those resources to benefit those rural places and people often not touched by outreach efforts by urban based providers. CU collaborates regionally with other economic development organizations, community colleges, regional funders and public offices to build ecosystems that lead to new economic opportunities for rural entrepreneurs and leaders.

CU also works collaboratively to build partnerships that complement its services to allow CU to utilize its resources most efficiently for the benefit of its clients. CU is a founding partner of three national collaboratives. In the 1970s, it helped to found the Rural Community Assistance Partnership (RCAP), the oldest national nonprofit serving the nation's small communities to ensure access to safe clean drinking water and appropriate disposal of wastewater. As one of six regional RCAP partners, CU works in over 1000 rural communities each year, and leverages over \$160 million dollars in funding for essential community facilities and infrastructure. In 2011, CU founded the national WealthWorks network, providing solutions that include a 21st-century approach to economic development that builds on local assets, connects to regional markets, and creates wealth that stays local. In 2018, CU co-founded the Partners for Rural Transformation which works to eliminate persistent poverty through capital investments and building personal and community agency in rural communities across the country.

While CU is focused on skill building and lending in places where both are needed the most, it also leverages this field experience to inform national research and policy. In 2021, CU launched its own research work, utilizing its program metrics to generate thought leadership in the community economic development field.

Lending

In 1992, CU started making loans to water and wastewater systems in rural areas to ensure that residents had access to clean, healthy drinking water and safe wastewater treatment systems.

In 2001, CU was certified as a CDFI. Loans made to water and wastewater management systems are used for improvement projects, pre-development financing, purchase of equipment and emergency financing needs.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Lending (Continued)

In 2024, CU closed \$5,471,905 in loans to 20 water and wastewater systems to improve their systems. These loans included \$1,923,985 (35%) loaned in Persistent Poverty Counties. Loans ranged from the small loan needed to meet compliance to larger loans for pre-development work that helped these communities access larger state and federal loans. These loans impacted 1878 households in Arkansas, Alabama, Texas, and Oklahoma in communities with poverty rates as high as 23.8%. CU made 2 pre-development loans of \$1,292,920, leveraging \$31,254,090 in federal and state funds. Pre-development loans are the fastest growing segment in CU water and wastewater loan portfolio.

Small business lending was added in 2010 as small businesses were struggling to recover from the 2008 recession and bank lending tightened. Again, CU works to fill the gap in financing with loans from \$1,000 to \$200,000 to small businesses that do not qualify for traditional financing.

Small business loans can be used for working capital, which is one of the biggest gaps in small business financing. Other uses include purchase or repair of equipment, business purchase, contract fulfillment, and leasehold improvements. CU offers a variety of small business loan products that are designed to grow as the business grows.

In 2024, CU increased loan production by 50%. Fifty-seven small businesses received \$1,831,662 in loans, averaging \$32,134. In summary, 56% of small business loans went to rural areas.

CU revived their home improvement program that was hugely successful in the early 2000s in rural Texas, re-launching the home improvement program using the Small Dollar Loan Grant in May 2022 and hiring a key local lender for the Brownsville office. In 2024, CU provided 159 loans, making a direct impact on the residents' living conditions and often increasing the value of their largest asset. The program also offers credit counseling and financial incentives to pay on time and improve individual credit scores allowing for improved access to traditional financial products. Through CU's credit counseling efforts, payment monitoring and one on one personal assistance, 81% of the renewal customers have seen an increase in their FICO score, with an average increase of 41 points.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Community Infrastructure Services Program

CU Community Infrastructure Services works with small population community infrastructure management systems: community drinking water systems; wastewater systems; and solid waste management systems through on-site technical assistance, training, publications, and financing. With a current staff of over 50 highly trained professional technical assistance providers, CU Community Infrastructure Services supports efforts to provide access to safe drinking water for everyone and responsible waste disposal within an ever-changing regulatory environment. Our technical assistance focuses on building local capacity of governing board members, water system operators, and other system staff so that they will develop and maintain the capability to adequately manage and operate their water/wastewater management systems.

As a regional partner of the national Rural Community Assistance Partnership, (RCAP), CU serves as the Southern RCAP partner in providing infrastructure technical assistance and training throughout a seven-state region of Alabama, Mississippi, Tennessee, Arkansas, Louisiana, Texas, and Oklahoma. Additionally, CU Community Infrastructure Services supports other RCAP regional partners in other regions of the country with access to their CDFI community infrastructure lending.

During fiscal year 2024, CU Community Infrastructure Services provided onsite assistance to 898 small communities and rural water and wastewater infrastructure management systems. CU's infrastructure staff experienced a record year in leveraging over \$160 million in construction financing to improve community water and wastewater systems. CU Infrastructure Services staff completed 77 training workshops attended by 1,243 community officials, board members and certified operators.

CU Infrastructure Services achieved the following National Infrastructure Outcomes last year for the following number of communities:

- 66 Communities: Improved Coordination between Communities (Regionalization Strategies);
- 130 Communities: Improved Public Health by achieving compliance with Safe Drinking Water Act rules and regulations;
- 177 Communities: Improved Infrastructure Health by achieving compliance with Clean Water Act and Pollution Control Act rules and regulations;
- 30 Communities: Improved Capacity of Community Facilities;
- 304 Communities: Achieved Financial Sustainability;
- 264 Communities: Increased Managerial Capacity;
- 14 Communities: Improved Self-Defined Prosperity;
- 28 Communities: Achieved Global Information System Mapping Capabilities

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Rural Housing Program

Communities Unlimited follows a holistic, community-centered housing approach with a focus on local capacity building, technical assistance, resource development, and housing preservation and development. During fiscal year 2024, CU staff worked with the City of Dumas to create a housing taskforce, complete a comprehensive housing needs assessment, assist with strategic planning, and support the community in grant writing. Additionally, CU establish a housing preservation and repair program in the community utilizing resources and funding from Communities Unlimited and community partners to make health and safety repairs and replace roofs for households that experienced storm damage. CU provided pre-purchase homebuyer education and housing counseling to support individuals and families as they apply for mortgages for home purchases or loans for home rehabilitation. The CU housing program supported its partner in establishing a manufacturing plant to build modular housing to increase homeownership for professionals like teachers, police officers and firefighters. CU supported the local WE Center WE Build, a non-profit housing development and workforce training center, to begin the manufacturing of the first modular home in Pine Bluff, AR.

Entrepreneurship

During fiscal year 2024, the Entrepreneurship program assisted 225 clients in one-on-one engagements ranging from 25 to 100 hours of management consulting. The program served 278 businesses in various training events such as webinars, live workshops, and our self-paced Learning Management System.

CU assisted 100 clients growing their businesses through contracting. They experienced combined gross revenues of over \$42 million.

Through the entrepreneurship team's wealth building initiative (launched in August 2022), CU is teaching business owners how to use their business as a tool for personal wealth creation. Over 60 clients committed to the program so far that includes 100+ hours of consulting and training. Business owners are taught how to grow business retained earnings that are then used strategically toward increasing the owner's personal net worth, retirement planning, securing capital and other wealth creation strategies.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Community Sustainability

As FY 2024 closed, CU's Community Sustainability team worked alongside leadership teams in 114 communities, developing more vibrant, sustainable economies by leveraging local assets for long-term growth. CU recognizes that for communities to achieve real sustainability the approach must be resident driven. Residents drive the process; mapping their local assets, creating the plans, filling gaps and connecting to existing resources to activate the community's power for change. CS staff facilitates this process and assists by coordinating internal and external resources to address broadband access and education, healthy foods, infrastructure management and improvement, community facility development, small business development and access to financing.

The Community Sustainability (CS) Team brings together leadership teams of local champions who are open to change and motivated to initiate and implement new strategies. The team provides training to build personal and community capacity and enable residents to be the problem solvers. Community assets are highlighted by community leaders and utilized to build a launching point for community sustainability and economic growth. This strategy directs the long-term execution of work by CS staff side by side in relationship with the community.

Within the CS team our Healthy Foods program provides technical assistance and access to resources that created connections to new market opportunities for farmers; completion of GAP/GHP certification by small-scale underserved farmers; development and/or expansion of local markets; connections between local medical providers and schools to local producers resulting in increased access to fresh produce; and expanded access to resources to meet transportation, aggregation and storage needs in unserved rural areas.

The Broadband work impacts communities across all seven states of CU's service area with focus intentionally beginning in those communities where CS teammates have already established trusting relationships and leadership teams allowing for expedited opportunities. The team of broadband content experts uses an award-winning broadband planning methodology recognized through the award of the nation's largest USDA Broadband Technical Assistance grant in 2024. Since 2022, the team offers broadband planning, capacity building training, to ensure all homes and businesses have access to high speed Internet. CU's team builds or strengthens the capacity of local governments, non-profits, and individual community champions so that long-term they are no longer needed. Community and economic development continue through local leadership and agency. CU's holistic approach seeks to leverage each of its internal program resources and identifies partners to bring the resources needed for implementation of the strategies to create lasting change.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Nature of Operations (Continued)

Community Sustainability (Continued)

Community Sustainability helps communities:

- Evaluate ordinances and policies that are friendly to small businesses and other issues of importance to municipalities
- Deliver resources and convene partners who have new resources to deploy
- Provide access to financing
- Evaluate existing community development plans
- Work with GIS mapping program to create sustainable resource maps that can be utilized during disasters
- Create capacity building training opportunities for local leaders
- Develop youth civic engagement strategies
- Educate constituents on the resources available and their eligibility for such
- Develop broadband strategies and connect to resources for deployment
- Identify food insecurity issues and connect to resources related to growing food economies

They accomplish this through:

- Collaboration with local leadership to provide an assessment of the community's economic opportunities
- Convening hyper local sector specific groups to address upcoming resources and opportunities
- Developing and implementing Opportunity Ready training for communities
- Engaging CU's Infrastructure technical assistance resources
- Engaging CU's Entrepreneurship small business management consulting
- Engaging CU's Community Development Financial Institution to fill gaps where access to capital can create new opportunities
- Local, regional, state and federal convening of stakeholders

Revenue Concentrations

For the year ended September 30, 2024, 11% and 10% of total revenue was received from a Training and Technical Assistance grant from the Environmental Protection Agency and Training and Technical Assistance grants from the U.S. Department of Agriculture.

For the year ended September 30, 2023, 11% and 9% of total revenue was received from a Training and Technical Assistance grant from the Environmental Protection Agency and a Training and Technical Assistance grant from the U.S. Department of Agriculture.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CU and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of contribution.

Net Assets With Donor Restrictions - Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources must be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenue without donor restrictions. CU does not have net assets with donor restrictions as of September 30, 2024 and 2023.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The fair value measurement of assets and liabilities within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources in accordance with the terms of the award. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as refundable advances.

B. Grant Awards that are Exchange Transactions

Exchange transactions are reimbursed based on a predetermined rate for services performed in accordance with the term of the award. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability. CU does not have grants that are considered exchange transactions for the years ended September 30, 2024 and 2023.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Program Income

Program income represents amounts contributed by program beneficiaries. The contributions are to help defray costs of the specific program in which the beneficiary received assistance. Program income is recorded as revenue in the same manner as contribution revenue.

Cash Equivalents

CU considers all liquid investments with maturities of three months or less to be cash equivalents. At September 30, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

Investments

Investments, which consist primarily of certificates of deposit, are valued at cost which approximates fair value.

Accounts Receivable

Accounts receivable represent amounts due for management consulting, computer technology support and grants and are stated at the amount billed to customers or due from granting agencies. Accounts receivable are ordinarily due upon receipt of the invoice. For accounts receivable, the estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. CU uses an aging method to estimate allowance for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. CU considers these receivables to be collectible and, therefore, no allowance for credit losses has been recorded as of September 30, 2024. If amounts become uncollectible, they will be charged to operations when that determination is made.

Prior to October 1, 2023, an allowance for doubtful accounts was used and was based on historical loss experience, current receivables aging, and management's assessment of current conditions. CU considered all receivables to be collectible and, therefore, there was no allowance for doubtful accounts as of September 30, 2023.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Notes Receivable and Allowance for Credit Losses

Effective October 1, 2023, CU uses a current expected credit loss (“CECL”) model to estimate the allowance for credit losses on loans. The CECL model considers historical loss rates and other qualitative adjustments, as well as a new forward-looking component that considers reasonable and supportable forecasts over the expected life of each loan. To develop the allowance for credit losses estimate under CECL, CU segments the loan portfolio into loan pools based on loan types and similar credit risk elements and adjusts for forecasted macro-level economic conditions and other anticipated changes in credit quality; and determines qualitative adjustments based on factors and conditions unique to CU’s loan portfolios.

Under the CECL model, loans that do not share similar risk characteristics with loans in their respective pools are individually evaluated for expected credit losses and are excluded from the collectively evaluated loan credit loss estimates. Management individually evaluates nonaccrual loans, collateral dependent loans, and other loans with evidence of credit deterioration. For loans individually evaluated, a specific reserve is estimated based on either the fair value of collateral or the discounted value of expected future cash flows.

A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. For collateral dependent loans, expected credit losses are based on the fair value of the collateral as of the date of the statement of financial position, with consideration for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. Currently, mortgage loans are the only portfolio segment to contain collateral dependent loans which are secured by liens on residential real estate.

CU considers the following when assessing risk in its loan portfolio segments:

- Mortgage loans are affected by the local residential real estate market and the local economy. At the time of origination, CU evaluates the borrower's repayment ability through a review of debt to income and credit scores. Appraisals are obtained to support the loan amount. Financial information is obtained from the borrower to evaluate cash flows sufficiency to service debt at the time of origination.
- Water and wastewater loans are issued to nonprofit and local government systems. These loans can be to provide interim financing, construction loans, system improvements or equipment. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Notes Receivable and Allowance for Credit Losses (Continued)

- The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.
- Small business loans are for business startup and expansion. These loans are made based primarily on historical and projected cash flow of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not behave as forecasted and collateral securing loans may fluctuate in value due to economic or individual performance factors. Financial information is obtained from the borrowers to evaluate cash flows sufficiency to service debt and are periodically updated during the life of the loan.
- Home Improvement loans are unsecured loans to individuals for home improvements. The loans are intended to assist individuals with improving their homes and building credit. Financial information is obtained from the borrowers to assess income, home equity and future ability to make loan payments.
- Household water and wastewater loans are issued to individuals that are below 60% of the area median income. The loans help individuals and families to receive reliable safe drinking water and/or to provide properly functioning septic systems. Financial information is obtained from the borrowers to assess income, home equity and future ability to make loan payments.

Mortgage loans are evaluated using the probability of default method and all other loans are evaluated using the vintage loss rate method. Vintage loss rates were calculated based on loan pool losses that existed for the most recent full duration of the loans as follows:

- Water and wastewater loans are 10-year loans and were calculated based on the loans issued in fiscal year 2014.
- Small businesses loans are 5-year loans and were calculated based on loans issued in fiscal year 2019.
- Home Improvement loans are 2-year loans and were calculated based on loans issued in fiscal year 2022.
- Household water and wastewater loans are 10-year loans and were calculated based on the loans issued in fiscal year 2014.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Notes Receivable and Allowance for Credit Losses (Continued)

Each loan accrues interest based on the terms of the respective promissory note and loan agreement. Loans are moved to non-accrual when they are referred to an attorney for collections. At September 30, 2024, CU had 1 loan on non-accrual status. At September 30, 2023, CU had no loans on non-accrual status. Delinquent notes are written off when management determines the remaining balance is uncollectible based on individual credit evaluation, specific circumstances of the borrower and after collecting any repayment from collateral, reserves and/or guarantees. Recoveries, if any, are generally credited against the allowance.

CU may modify loans to borrowers experiencing financial difficulty and grant certain concessions that include principal forgiveness, a term extension, an other-than-insignificant payment delay, an interest rate reduction, or a combination of these concessions. An assessment of whether the borrower is experiencing financial difficulty is made at the time of the loan modification.

Upon CU's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Factors considered by management in determining impairment under the incurred loss impairment model included payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experienced insignificant payment delays and payment shortfalls generally were not classified as impaired. Management determined the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

ASC 842 Lease Accounting

For all underlying classes of assets, CU has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that CU is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

CU recognizes short-term lease cost on a straight-line basis over the lease term. Short-term lease expense for the years ended September 30, 2024 and 2023 was \$76,744 and \$86,956, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. CU capitalizes equipment purchased with a cost greater than \$5,000 and a useful life of more than one year.

Property and equipment purchased with grant funds are owned by CU while used in the program for which they were purchased or in other future authorized programs.

However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. Property and equipment purchased with grant funds was fully depreciated as of September 30, 2024 and 2023.

Expense Allocation

Expenditures have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs and supporting services benefited. Programs are allocated management and general expenses based on estimates of time and effort.

Joint costs are allocated to benefiting programs using an indirect cost rate. Joint costs are those costs incurred for the common benefit of all CU's programs that cannot be readily identified with a final cost objective. A fixed indirect cost rate has been approved by the U.S. Department of Health and Human Services (DHHS) through September 30, 2025. A fixed rate is not subject to adjustment and accordingly CU could experience indirect cost recovery from grants that is greater or less than actual indirect expenses.

Income Taxes

CU is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provision of state law. However, CU is subject to federal income tax on any taxable unrelated business income. The effects of income taxes have not been disclosed in the financial statements since income tax amounts are immaterial as determined by management.

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 1

Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

CU is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. CU has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Change in Accounting Principle - CECL

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the CU to present financial assets measured at amortized cost (including trade receivables) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

CU adopted ASU No. 2016-13 on October 1, 2023 and recorded a cumulative effect adjustment of \$259,405 to net assets. Results for the year ended September 30, 2023, are presented under Accounting Standards Codification (ASC) 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards generally accepted in the United States.

Subsequent Events

Subsequent events have been evaluated through February 25, 2025, which is the date the financial statements were available to be issued.

Note 2

Concentration of Risk

CU maintains cash balances at various financial institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

CU has a repurchase agreement with a local financial institution whereby excess cash in its operating account is invested in government-backed securities at the close of the business day and is re-deposited, along with interest earned, in the checking account at the start of the next business day. On September 30, 2024 and 2023, \$9,887,528 and \$11,540,610 of CU's cash and cash equivalents, respectively, were invested through this agreement.

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 3

Notes Receivable and Allowance for Credit Losses

Notes receivable in the Loan Fund Division are listed below. These notes charge interest from 3% to 12% for up to 15 years, except mortgage loans which are at 0% interest in 2024.

	2024	2023
Mortgage loans	\$ 559,287	\$ 618,495
Water and wastewater loans	13,829,522	12,211,797
Small business loans	2,748,375	1,649,486
Home improvement loans	473,965	379,032
Household water loans	<u>631,903</u>	<u>543,013</u>
Total loans	18,243,052	15,401,823
Allowance for credit losses	<u>(1,248,571)</u>	<u>(1,315,587)</u>
Net loans receivable	<u><u>\$ 16,994,481</u></u>	<u><u>\$ 14,086,236</u></u>

Classification of notes receivable at September 30 are summarized as follows:

	2024	2023
Current loans receivable	\$ 4,862,676	\$ 2,130,144
Long-term loans receivable	13,380,376	13,271,679
Allowance for credit losses	<u>(1,248,571)</u>	<u>(1,315,587)</u>
Total loans receivable, net of allowance	<u><u>\$ 16,994,481</u></u>	<u><u>\$ 14,086,236</u></u>

The following tables present the balance in the allowance for credit losses based on portfolio segment as of September 30:

	2024					
	Mortgage	Water and Wastewater	Small Business	Home Improvement	Household Water	Total
Beginning of year	\$ 119,227	\$ 943,388	\$ 147,873	\$ 44,846	\$ 60,253	\$ 1,315,587
Cumulative adjustment from adoption of new accounting standard	(23,509)	(186,016)	(8,843)	(29,156)	(11,881)	(259,405)
Provision charged to expense	84,984	118,979	15,472	60,922	(552)	279,805
Loans written off	<u>0</u>	<u>0</u>	<u>(53,096)</u>	<u>(34,320)</u>	<u>0</u>	<u>(87,416)</u>
End of year	<u><u>\$ 180,702</u></u>	<u><u>\$ 876,351</u></u>	<u><u>\$ 101,406</u></u>	<u><u>\$ 42,292</u></u>	<u><u>\$ 47,820</u></u>	<u><u>\$ 1,248,571</u></u>

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 3

Notes Receivable and Allowance for Credit Losses (Continued)

	2023					
	Mortgage	Water and Wastewater	Small Business	Home Improvement	Household Water	Total
Beginning of year	\$ 110,449	\$ 822,133	\$ 103,606	\$ 17,051	\$ 33,883	\$ 1,087,122
Provision charged to expense	8,778	121,255	141,138	32,623	38,156	341,950
Loans written off	0	0	(96,871)	(4,828)	(11,786)	(113,485)
End of year	\$ 119,227	\$ 943,388	\$ 147,873	\$ 44,846	\$ 60,253	\$ 1,315,587

The following tables presents the CU's loan portfolio aging analysis of the recorded investment in loans as of September 30:

	2024					
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current	Total Loans
Mortgage	\$ 5,480	\$ 1,820	\$ 112,085	\$ 119,385	\$ 439,902	\$ 559,287
Water and wastewater	2,519	2,519	456,670	461,708	13,367,814	13,829,522
Small business	9,113	7,657	36,561	53,331	2,695,044	2,748,375
Home improvement	4,896	3,639	11,517	20,052	453,913	473,965
Household water	1,171	823	5,510	7,504	624,399	631,903
Totals	\$ 23,179	\$ 16,458	\$ 622,343	\$ 661,980	\$ 17,581,072	\$ 18,243,052

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 3

Notes Receivable and Allowance for Credit Losses (Continued)

	2023						Total Loans
	30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Current		
	\$ 5,243	\$ 1,741	\$ 84,646	\$ 91,630	\$ 526,865		
Mortgage						\$ 618,495	
Water and wastewater	2,519	2,519	452,850	457,888	11,753,909	12,211,797	
Small business	4,824	5,139	21,403	31,366	1,618,120	1,649,486	
Home Improvement	1,330	989	2,625	4,944	374,088	379,032	
Household water	767	567	419	1,753	541,260	543,013	
Total	\$ 14,683	\$ 10,955	\$ 561,943	\$ 587,581	\$14,814,242	\$15,401,823	

Collateral Dependent Loans

As of September 30, 2024, there were two collateral dependent mortgage loans with outstanding loan balances totaling \$107,041. The allowance for credit losses for these two loans were \$85,192 as of September 30, 2024.

Troubled Debt Restructurings

In situations where it is necessary to restructure a loan, the focus is on helping the customer be successful. CU strives to work with borrowers and maintain open lines of communication even in stressful situations. Only when all other opportunities for recovery are exhausted, does CU take action to foreclose, repossess collateral, and/or take legal action.

CU monitors the receipt of payments and tracks delinquencies on a 15-, 30-, and 60-day basis. Progressive intervention accompanies each event including contact with the borrower. If an account becomes more than 60-days delinquent, legal counsel may be sought to assist with the collection, restructuring, or foreclosure of the loan. CU has a written loan statement that details its policies and procedures. In 2024, CU restructured 33 loans for 24 borrowers with an outstanding principal balance of \$604,491. In 2023, CU restructured 13 loans for 12 borrowers with an outstanding principal balance of \$172,278. The loans were restructured by extending maturity based on cash flow and there was no impact on CU's allowance as the loans were already factored in prior allowance calculations.

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 4

Long-term Debt

Notes payable at September 30 consist of the following:

	<u>2024</u>	<u>2023</u>
United States Department of Agriculture, Rural Business Cooperative Services; due October 20, 2038 in annual payments of \$42,445, including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	\$ 551,542	\$ 588,103
United States Department of Agriculture, Rural Business Cooperative Services; \$351,000 available, due August 21, 2042 in annual payments of \$14,900, including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	214,770	227,393
Wells Fargo due March 1, 2024, unsecured, with interest at 2% due quarterly.	0	125,000
United States Department of Agriculture, Rural Business Cooperative Services; \$400,000 available, due August 21, 2042 in annual payments of \$16,980 including principal and interest at 1%; secured by CU's notes receivable made through its relending programs and investments. Total outstanding balance is due on demand if certain covenants are not met and no waiver from the lender is obtained.	159,584	172,157
Mary Reynolds Babcock Foundation; \$250,000 at 2%, Interest payments due quarterly; due March 31, 2024, unsecured.	0	200,000
SBA 39104; loan issued October 2021 with \$400,000 available, interest at .0%, increasing up to .75% over 24-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$3,704 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	321,495	366,355
Winthrop Rockefeller Foundation due December 31, 2030, unsecured, 0.00% interest until January 1, 2023; 0.75% interest beginning January 1, 2023 due quarterly.	500,000	500,000
Arkansas Community Foundation due June 30, 2026, unsecured, with interest at 1.5% due quarterly.	1,000,000	1,000,000

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 4

Long-term Debt (Continued)

	<u>2024</u>	<u>2023</u>
Various notes payable to individuals and trusts ranging from \$25,000 to \$150,000 and fixed interest rates from 1.00% to 1.50%. The notes are unsecured with interest only payments required. The due dates of the notes are from September 2026 through April 2031.	\$ 2,465,000	\$ 1,890,000
Amarillo Area Foundation due January 31, 2030, unsecured, with interest at 1% due quarterly.	150,000	150,000
The Congregation of the Sisters of Charity of the Incarnate Word, Houston, Texas due April 2028, unsecured, with Interest at 1% due annually.	250,000	250,000
SBA 97002; loan issued May 2018 with \$300,000 available, interest at .625%, increasing up to 2.625% over 24-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$2,857 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	126,341	159,833
SBA 27006; loan issued April 2019 with \$300,000 available, interest at .5% increasing up to 1.25% over 9-months depending on the nature of business loans issued. 108 monthly principal and interest payments of up to \$2,964.18 are required until the loan is paid. Monthly payments are deferred for the first year. Secured by notes receivable.	167,014	200,263
Opportunity Finance Network due June 2025, unsecured with interest at 3% due annually.	500,000	500,000
Robert Wood Johnson Foundation due September 2028, unsecured with interest at 1% due quarterly.	3,000,000	2,500,000
Erin and Hannah Sachs Foundation due September 2029, unsecured with interest at 3.5% due semi-annually	750,000	0
Greater Houston Community Foundation due December 9, 2032, unsecured, with interest at 0.75% due annually.	<u>4,000,000</u>	<u>4,000,000</u>
Total notes payable	14,155,746	12,829,104
Current portion	<u>(675,049)</u>	<u>(498,460)</u>
Long-term notes payable	<u>\$ 13,480,697</u>	<u>\$ 12,330,644</u>

Communities Unlimited, Inc.

Notes to Financial Statements **September 30, 2024 and 2023**

Note 4

Long-term Debt (Continued)

Future maturities of long-term debt beyond September 30, 2024, are as follows:

2025	\$ 675,049
2026	201,656
2027	628,285
2028	4,031,973
2029	1,444,447
Thereafter	<u>7,174,336</u>
Total long-term debt	<u>\$ 14,155,746</u>

Interest expense for the years ended September 30, 2024 and 2023, was \$128,936 and \$105,386, respectively.

Note 5

Line of Credit

At September 30, 2024 and 2023, CU had a \$1,500,000 line-of-credit financing agreement. Interest is payable monthly at the Wall Street Journal Prime Rate minus .5% (8.00% at September 30, 2024). The line of credit is secured by a general business security agreement and expires April 4, 2026. CU renews the line of credit at maturity. No balance was outstanding on the line of credit at September 30, 2024 and 2023.

Note 6

Retirement Plan

CU has a defined contribution plan covering substantially all employees. The Board of Directors annually determines the amount, if any, of CU's contributions to the plan. Pension expense was \$455,508 and \$351,878 for the years ended September 30, 2024 and 2023, respectively.

Note 7

Fair Value Measurements

Money market funds are valued using \$1 as the net asset value (NAV). These funds are registered with the U.S. Securities and Exchange Commission and are required to publish their NAV daily and to transact at that price. This method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while CU believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Communities Unlimited, Inc.

Notes to Financial Statements September 30, 2024 and 2023

Note 7

Fair Value Measurements (Continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2024 and 2023:

	2024					
	Fair Value Measurements Using					
	Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	(Level 1)	(Level 2)	(Level 3)
	<u>Fair Value</u>					
Money market	\$ 400,032	\$ 0	\$ 400,032	\$ 0		
2023						
	Fair Value Measurements Using					
	Quoted Prices in Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	(Level 1)	(Level 2)	(Level 3)
	<u>Fair Value</u>					
Money market	\$ 1,349	\$ 0	\$ 1,349	\$ 0		

Money market funds are included in cash and cash equivalents in the statements of financial position.

Note 8

Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at September 30:

	2024	2023
Cash and cash equivalents	\$ 19,579,989	\$ 19,030,391
Short-term investments	130,000	760,000
Accounts receivable	2,362,776	2,027,651
Total financial assets available	22,072,765	21,818,042
Less: current liabilities, excluding current portion of long-term debt	(4,346,678)	(3,614,396)
Net financial assets available for general expenditure	\$ 17,726,087	\$ 18,203,646

Communities Unlimited, Inc.

Notes to Financial Statements

September 30, 2024 and 2023

Note 8

Liquidity and Availability of Financial Resources (Continued)

CU does not have a formal liquidity policy. CU has a line of credit available for cash flow needs up to \$1,500,000 as further described in Note 5.

Note 9

Commitments

In the normal course of business, CU has various commitments outstanding, including commitments to extend credit, which are not reflected in the accompanying statements of financial position. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments arise from the loans made by CU in the normal course of business. Commitments for loans approved but not yet funded as of September 30, 2024, totaled approximately \$5,170,147.

At September 30, 2024, CU had commitments under various grants of \$16,475,037. These commitments are not recognized in the accompanying financial statements as they are conditional awards.